

MEETING WITH MCDOWELL ROAD/SOUTHERN SCOTTSDALE CORRIDOR TASK FORCE

Aaron N. Gruen, Principal
Gruen Gruen + Associates



APPLYING KNOWLEDGE, CREATING RESULTS, ADDING VALUE

STATUS OF ECONOMIC RECOVERY

- NOT OUT OF THE WOODS YET
 1. Consumer indebtedness is still high- will limit consumer demand.
 2. Banks' balance sheets still too leveraged- will inhibit lending.
 3. High unemployment rate likely to be protracted- will limit office, hotel, and retail demand.

RETAIL

Southern Scottsdale Retail Market Trends

<u>Year</u>	<u>Vacancy (%)</u>	<u>Rental Rate (\$ PSF)</u>
2006	8.0	14.30
2007	4.4	18.20
2008	10.7	17.70
2009	18.1	16.20
Includes retail space south of Osborn Rental rates for 4 th quarter except for 2009 which reflects 2 nd quarter rates		
Sources: CoStar; Gruen Gruen + Associates.		

RETAIL

- Small amount of retail space is new.
- Some space is obsolete and not attuned to requirements of users and preferences of consumers.
- Rents and occupancy rates have been affected by both recession and competitive obsolescence.

OFFICE

Southern Scottsdale Office Market Trends

<u>Year</u>	<u>Vacancy (%)</u>	<u>Full-Service Rental Rate (\$ PSF)</u>
1999	5.5	19.97
2000	5.8	19.70
2001	11.0	19.42
2002	13.1	18.49
2003	13.2	18.51
2004	16.5	16.96
2005	14.4	18.81
2006	10.2	24.80
2007	12.0	24.65
2008	16.2	22.82
2009	16.5	19.36

Sources: CoStar; Gruen Gruen + Associates.

FINDINGS FROM REAL ESTATE ECONOMICS ANALYSIS

- Some smaller properties are purchased at prices not justified by the current real estate economics or property income.
- Current rents for small, older properties do not facilitate owners completing significant remodeling or updating.
- Some property owners may be encouraged to reduce maintenance or other expenditures.

FINDINGS FROM REAL ESTATE ECONOMICS ANALYSIS

- For larger sites, assuming above market rents, retail and restaurant uses appear closer than other uses to supporting land values close to reservation prices for large sites.
- But this does not hold for smaller sites.

FINDINGS FROM REAL ESTATE ECONOMICS ANALYSIS

- Assuming the regulations are altered to permit hotel development of six stories, limited service and extended stay hotel products are unlikely to support land values high enough to encourage feasible private redevelopment.

FINDINGS FROM REAL ESTATE ECONOMICS ANALYSIS

- Under the newly adopted PUD regulations, a townhouse/live-work product on small lots would not be profitable to develop.
- Most property owners will be better off wringing whatever income can be produced by existing small, older commercial properties than redeveloping the properties into townhouse or live-work uses.

CONCLUSIONS

- The market on its own is not likely to cause in the near term the type of changes needed to make Southern Scottsdale a more desirable and competitive location.

RECOMMENDATIONS

- 1) Clarify and simplify the PUD to include effective by-right development standards;
- 2) To avoid high reservation prices causing stagnation, make any zoning changes subject to “performance zoning” or a “sunset clause”;
- 3) Facilitate private feasible development including land assembly and use changes. Eliminate or modify regulations that reduce the amount of building space that can be created;
- 4) Municipal assistance with the provision of necessary parking (or modification of parking requirements) may also be needed for the feasible reuse or redevelopment of smaller, obsolete properties;

RECOMMENDATIONS

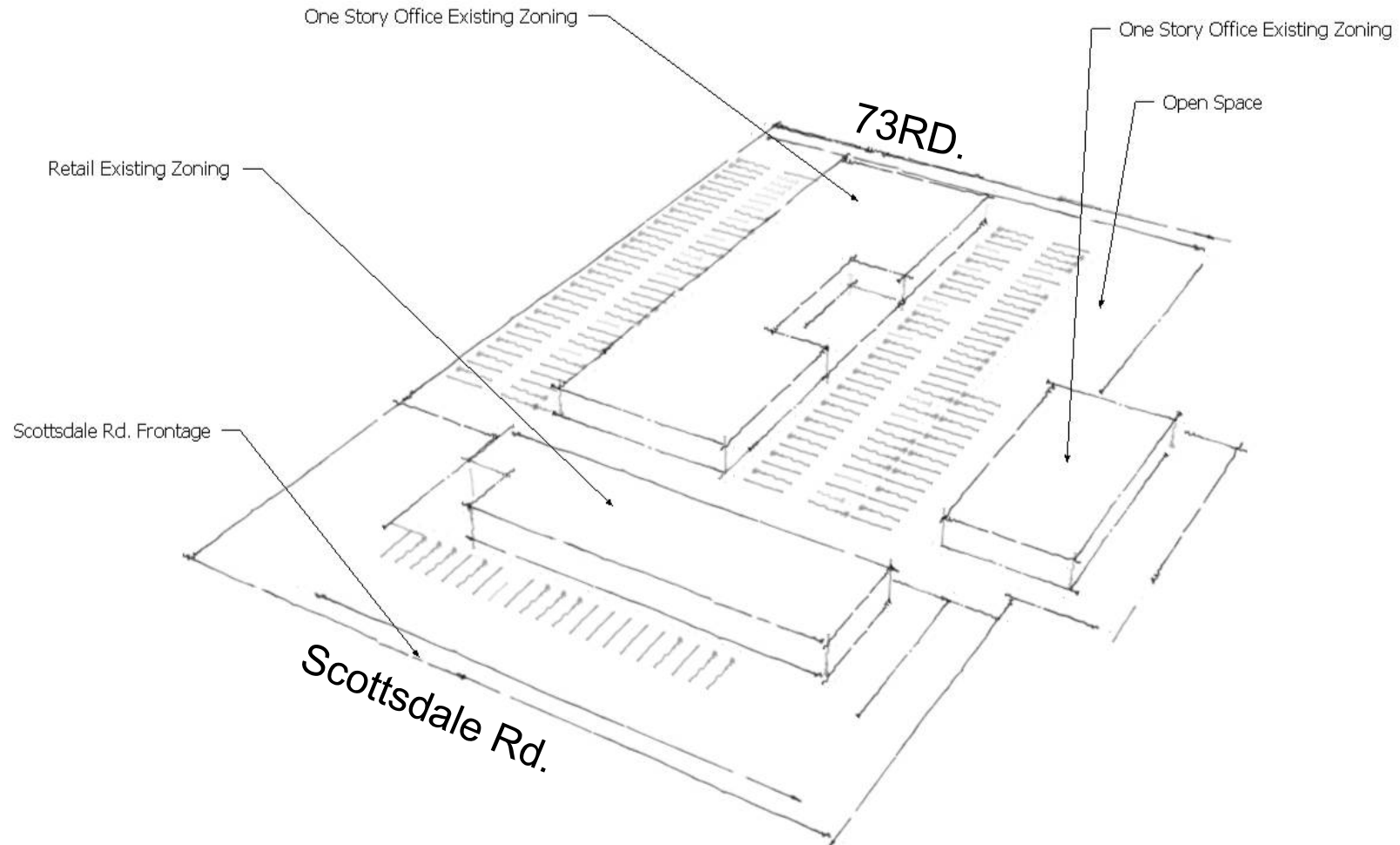
- 5) Reducing impact fees, will improve feasibility;
- 6) Encourage a pedestrian-friendly environment with appropriate traffic signalization, crosswalks, landscaping, and pedestrian-scaled streetscape amenities;
- 7) Identify locations for clusters of mixed-use, higher-intensity development at key intersections; and
- 8) Provide for potential for additional research and development and technology and service uses to locate and expand in Southern Scottsdale. Other uses include educational and healthcare activities.

Prototype #1



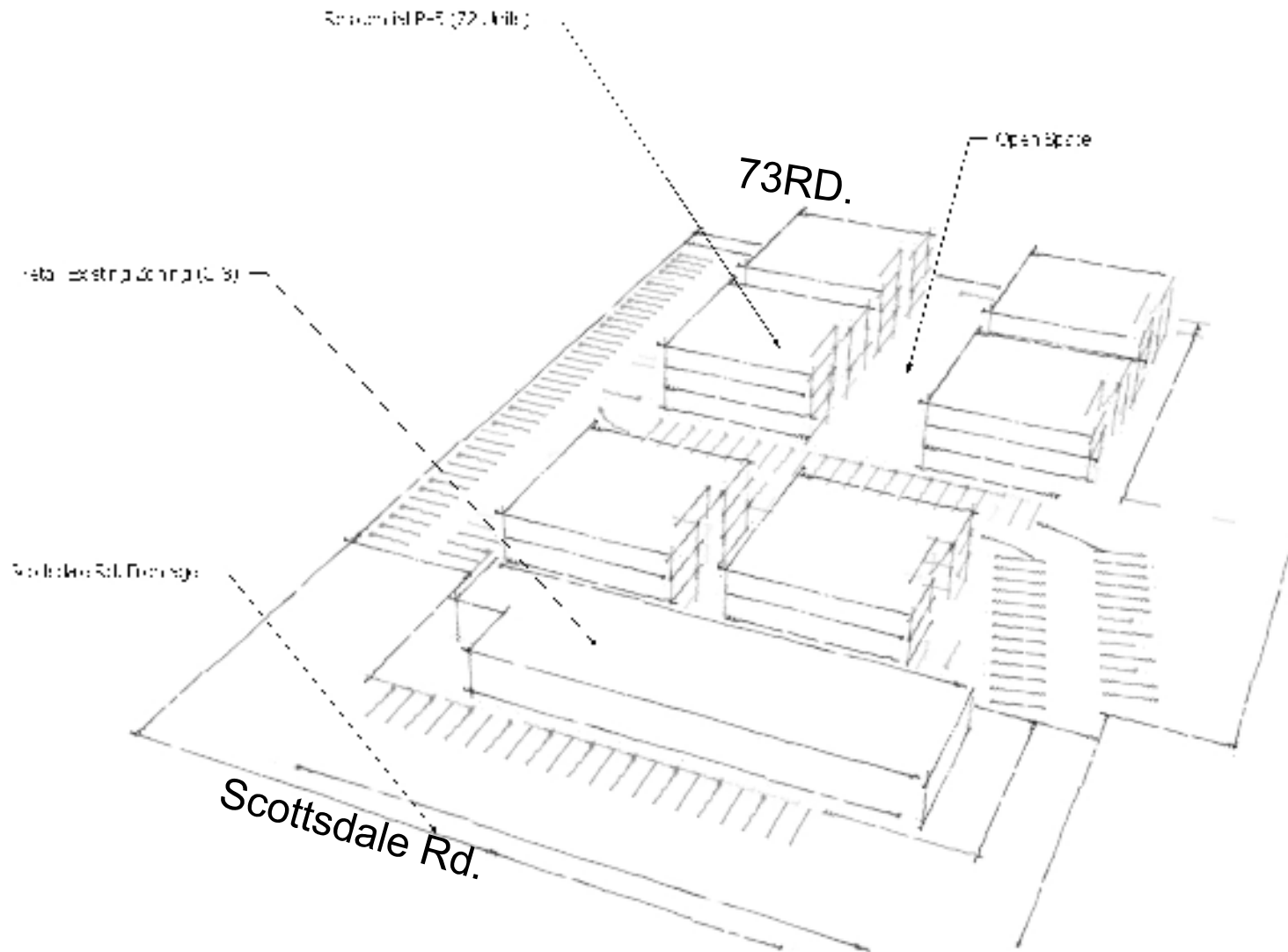
Prototype #1

- Sketch maximizing potential of current zoning.



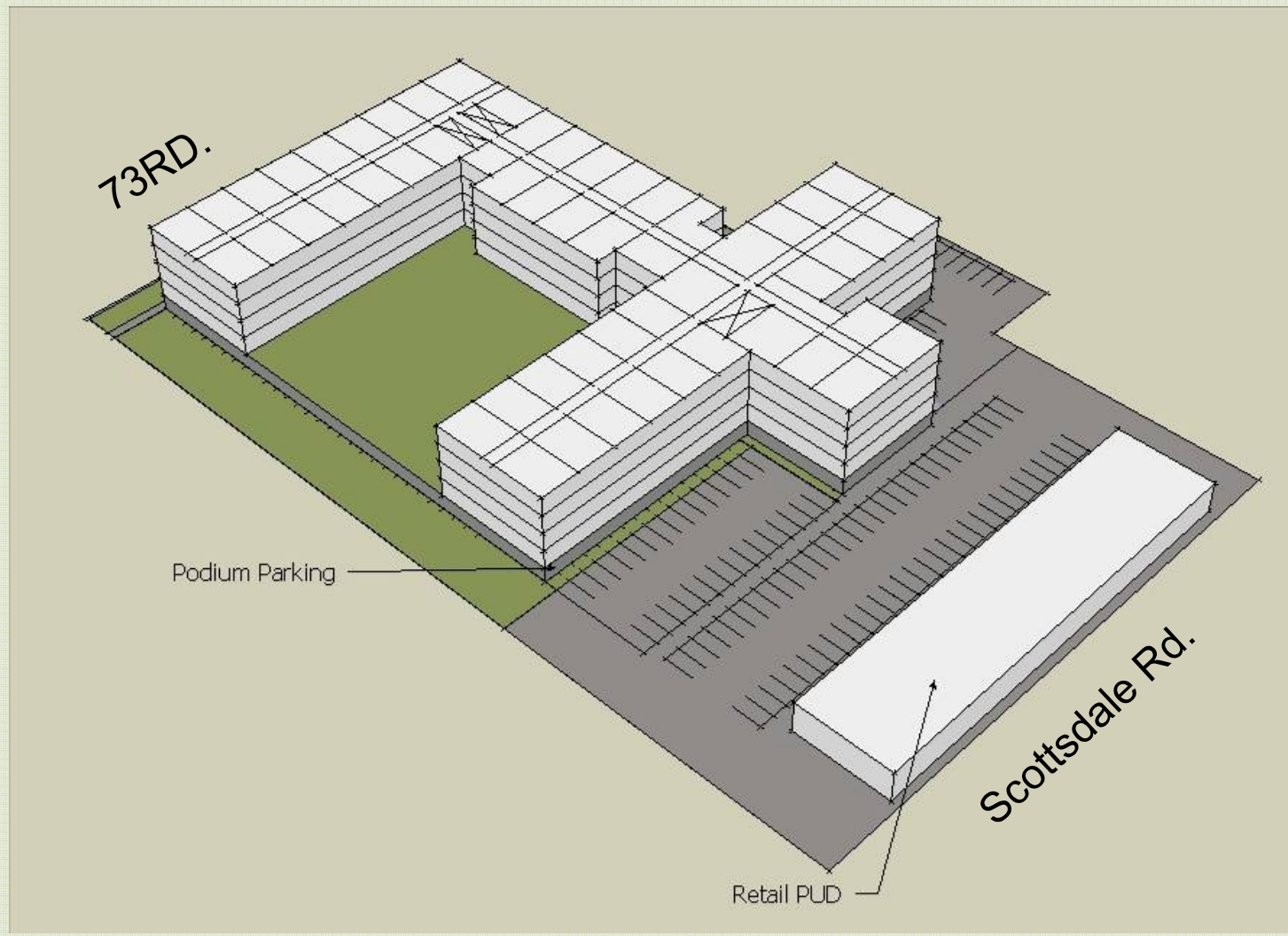
Prototype #1

- Sketch of rezoning to primarily R-5 District.



Prototype #1

- PUD

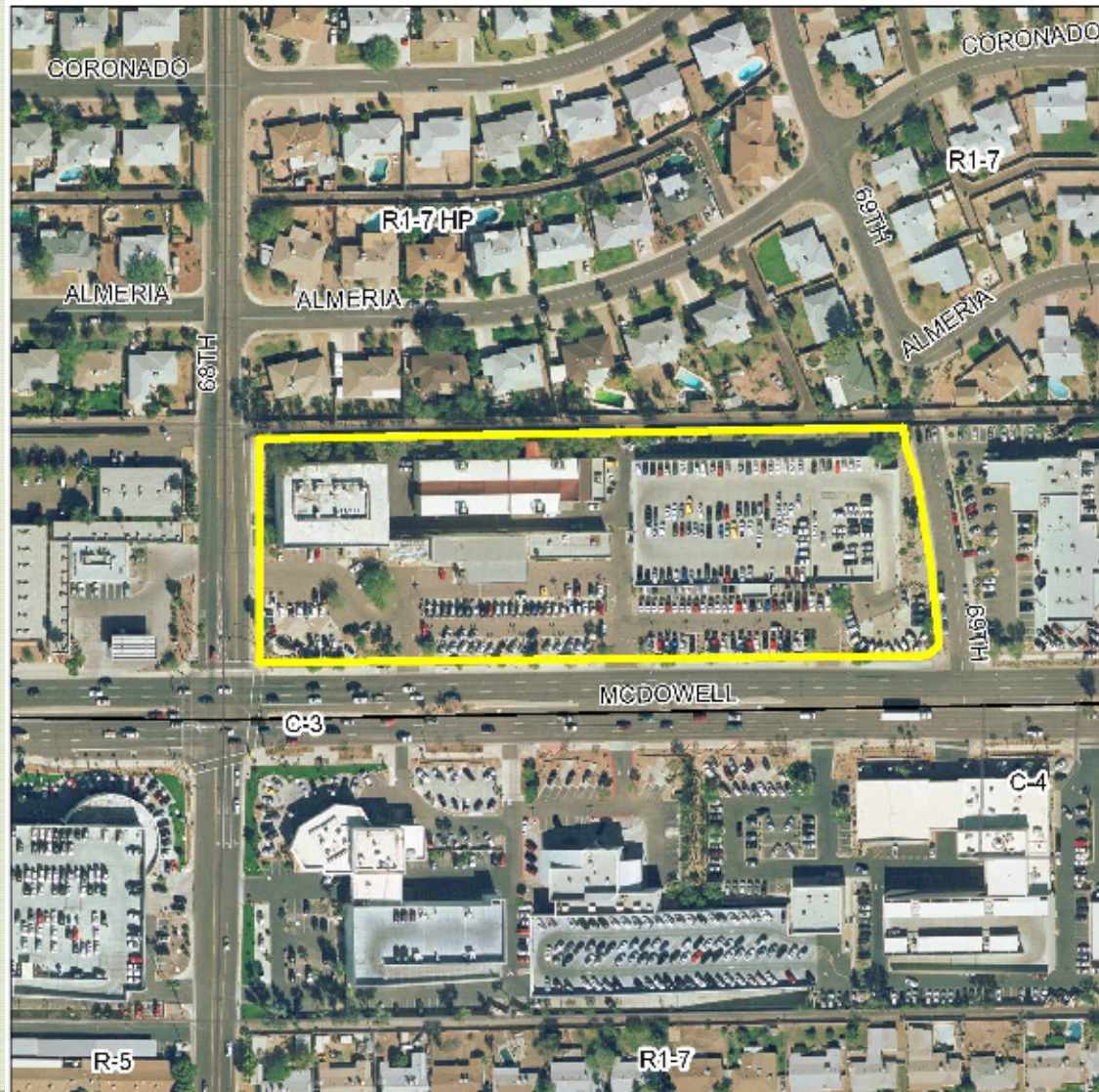


Example of similar product type.



Sotelo in Tempe, Trammel Crow Residential

Prototype #2

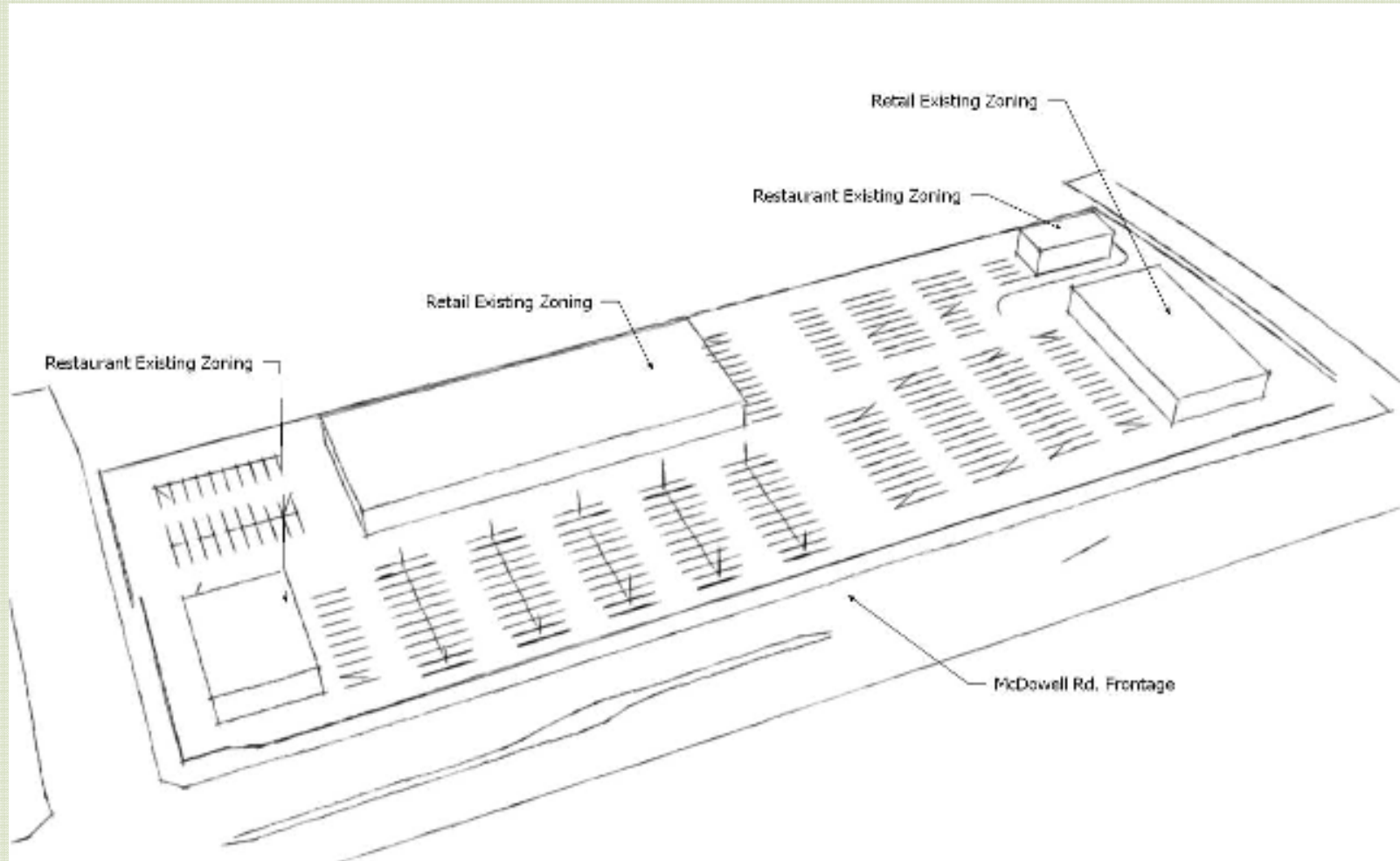


Prototype #2



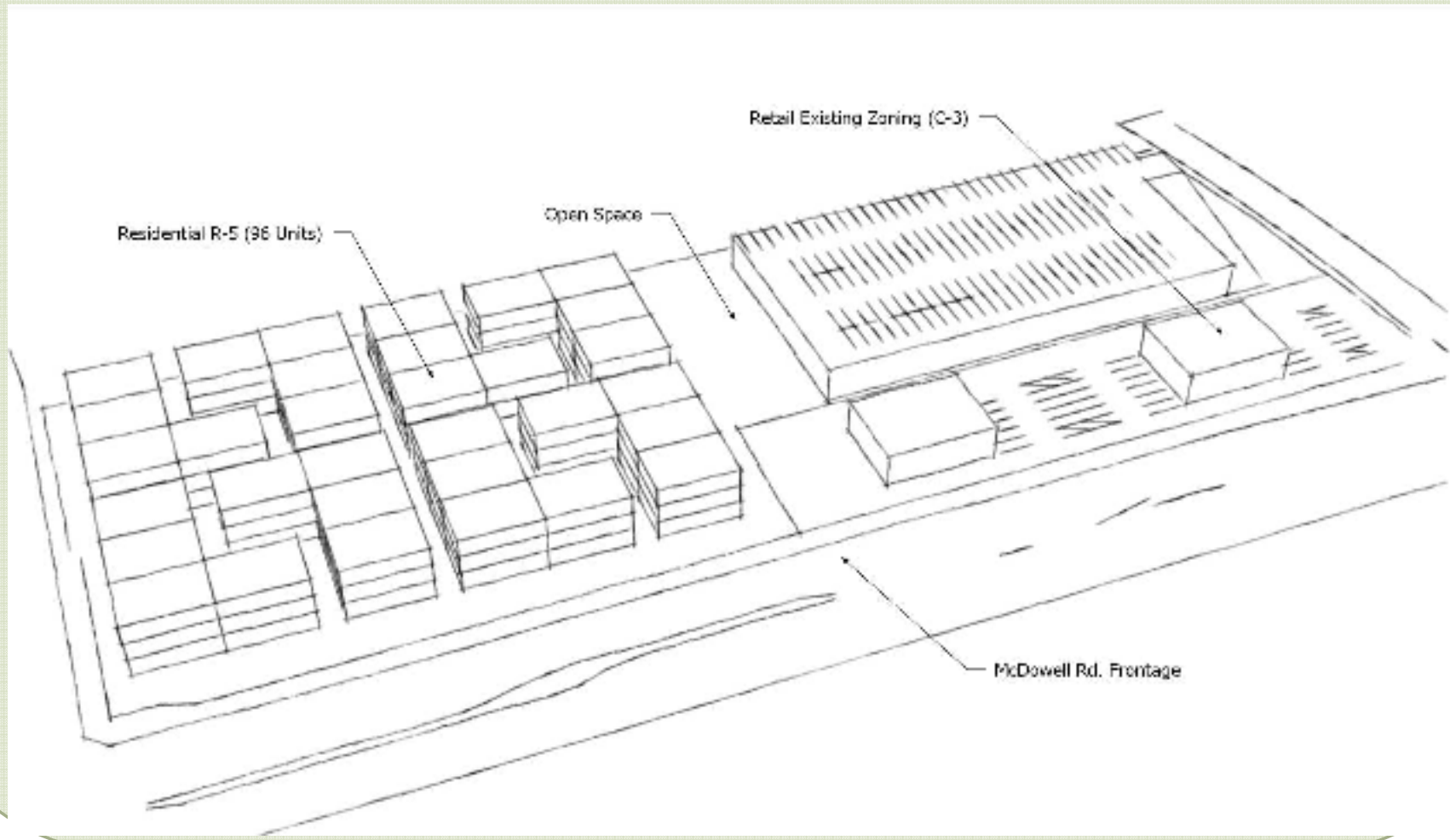
Prototype #2

- Sketch maximizing potential of current zoning.



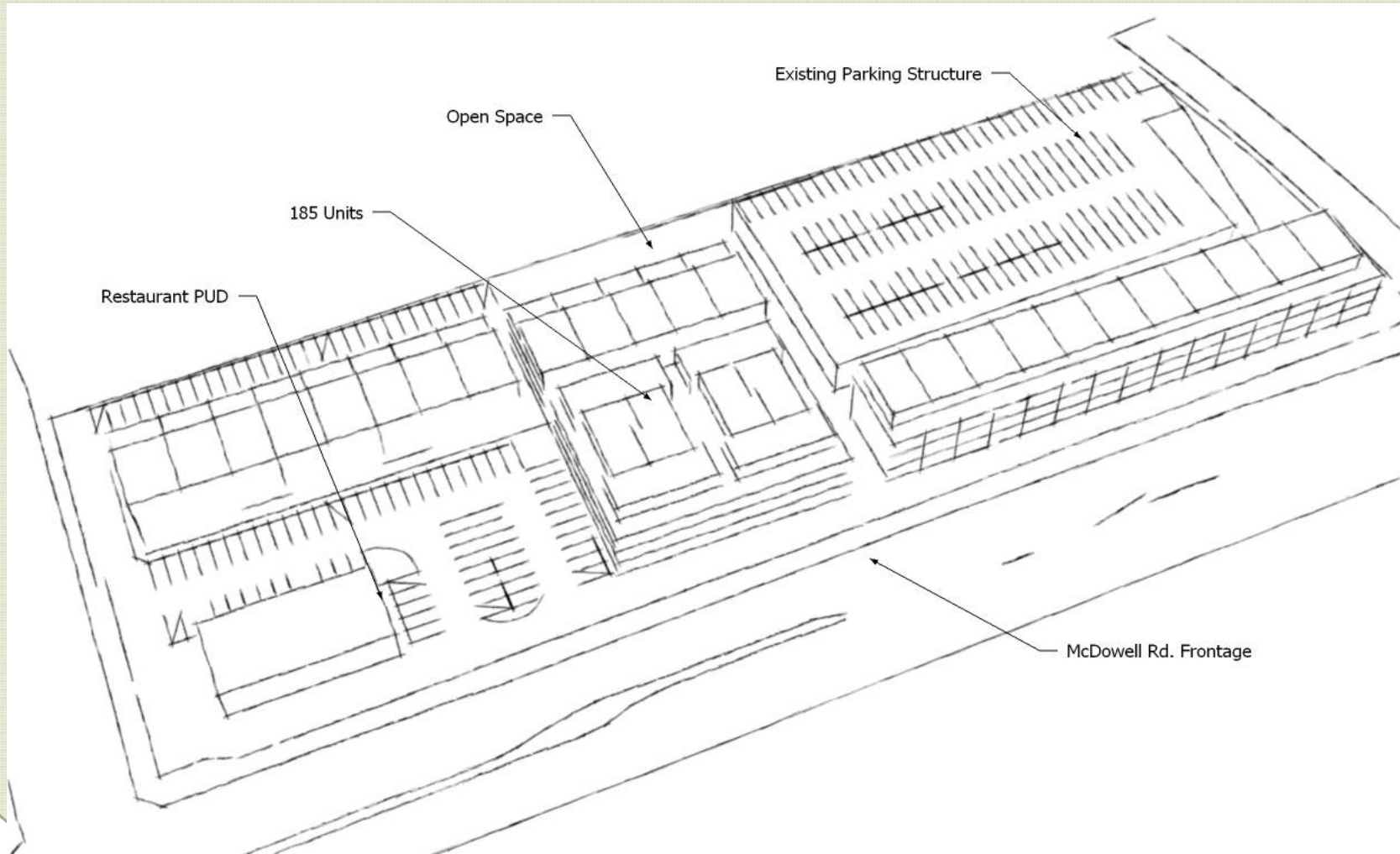
Prototype #2

- Rezoning to primarily R-5 District.



Prototype #2

- Spatial sketch of PUD



Example of Product Type for PUD



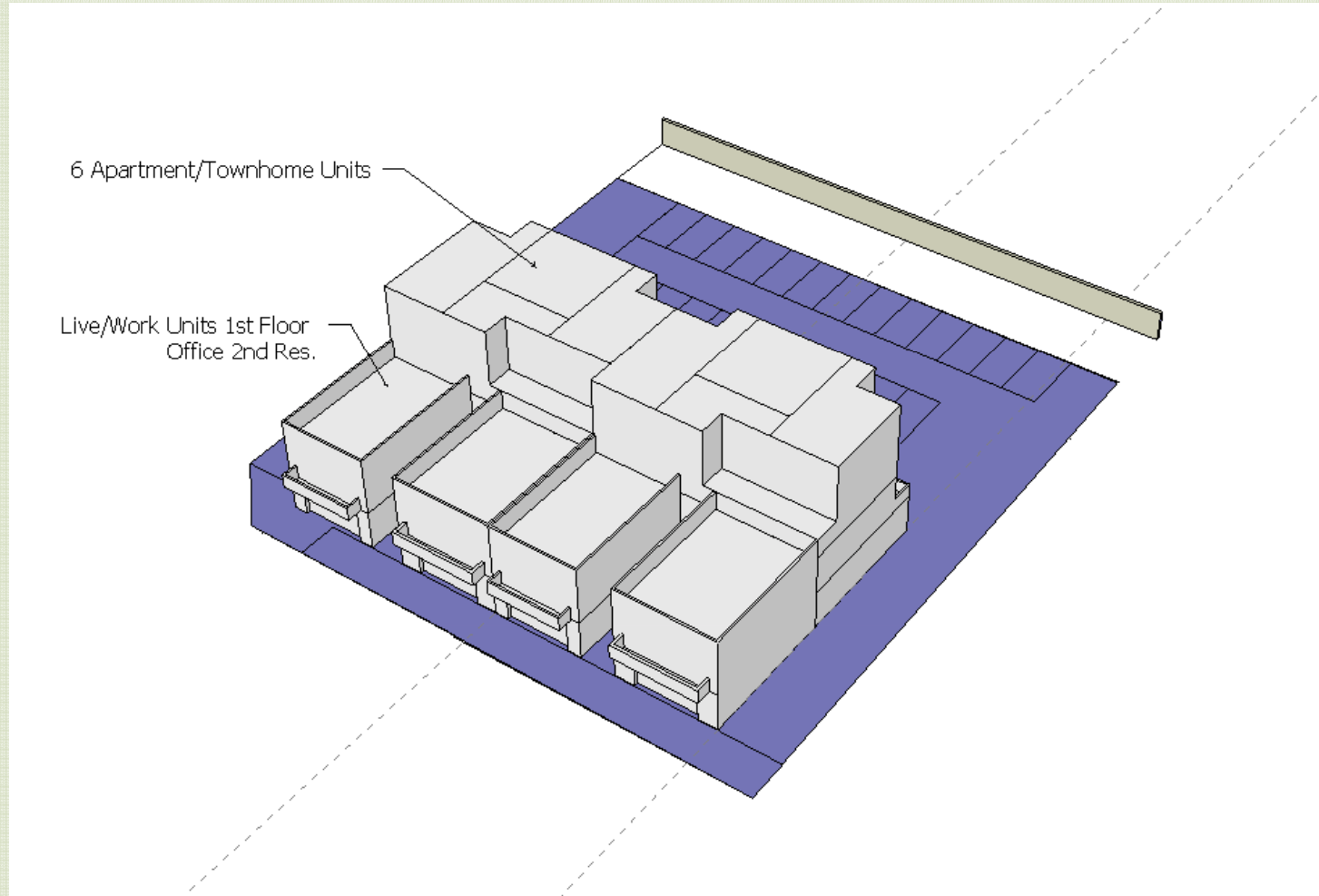
Paladium, Scottsdale Drinkwater and Indian School Rd.

Prototype #4



Prototype #4

- Sketch of PUD product on small site.



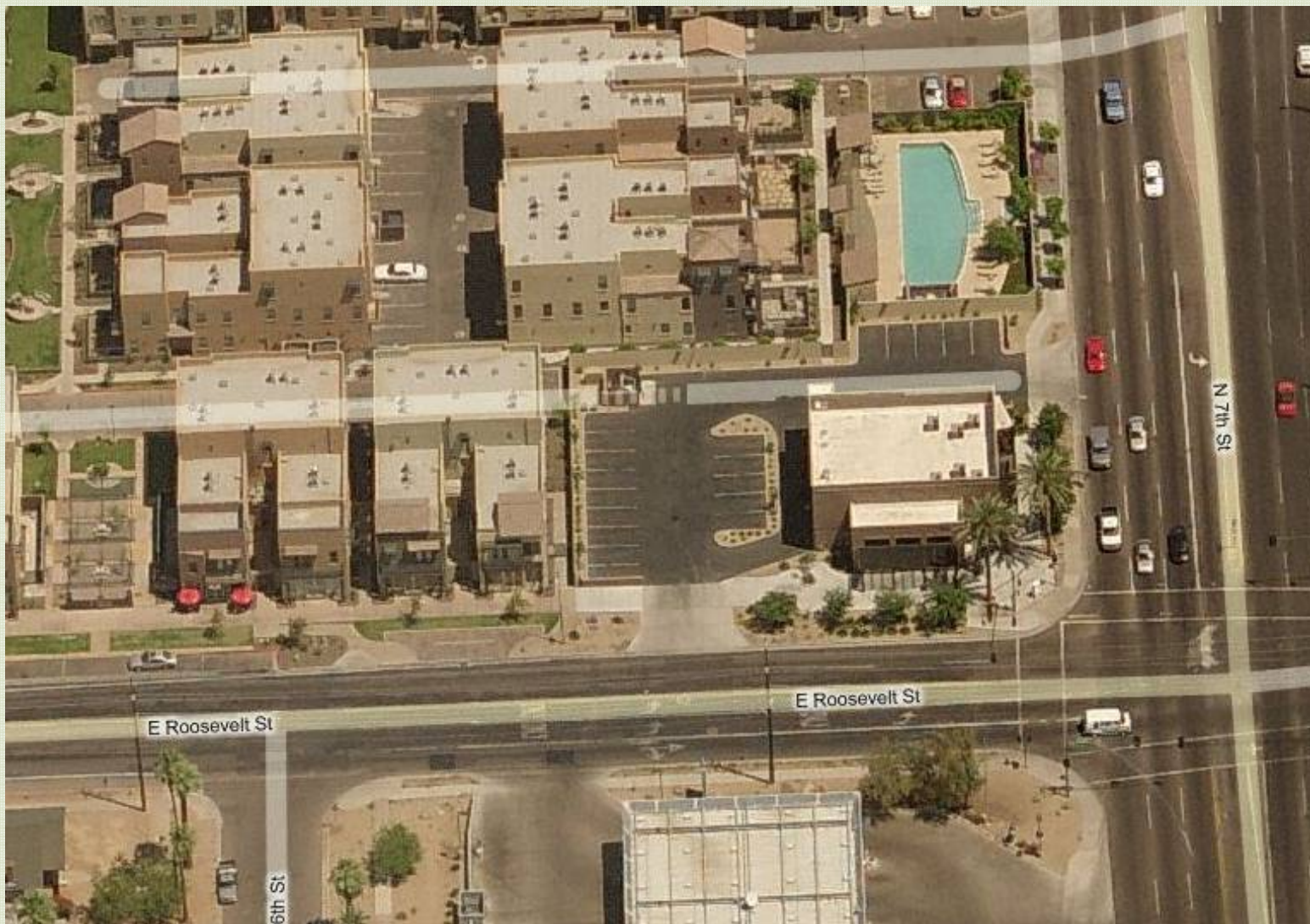
Prototype #4

- Example of product type:



Artisan Village, Phoenix. 7th St and Roosevelt

Prototype #4



Prototype #4



Artisan Village, Phoenix. 7th St and Roosevelt